

1           Second thing, what Mr. Roberts had to  
2 say about his own arc of business diversity is  
3 such a great example: Own television stations,  
4 use that as a jumping off point to get into  
5 wireless.

6           Now, everyone on the outside kind of  
7 looks at the Commission these days and thinks it's  
8 all about broadband and not about broadcasting.  
9 But this is the heritage technology that  
10 minorities and women got into the communications  
11 business with.

12           And again and again -- and we work in  
13 all of those spaces. In the broadband space,  
14 you'd be surprised how many people learned this  
15 business through radio operations or ownership, or  
16 television operations or ownership. Or got into  
17 wireless exactly this way. That's the natural arc  
18 of technological diversity.

19           So if you cut off access to these  
20 heritage, start-up industries for many people who  
21 have diversified careers, what you're doing is  
22 basically putting the agency in the position where

1 in new industries, it's going to wake up one  
2 morning and say, "Why isn't this diverse? Why  
3 doesn't this look like America?" Because you cut  
4 off the route in.

5 MS. BAUTISTA: Just, the behavioral  
6 change, I always believe in going outside the box.  
7 And I mentioned the technical assistance and  
8 capacity-building.

9 You know, how about this big media  
10 creating a pilot program, creating a fund to teach  
11 how to run this business properly, and how to work  
12 with FCC -- I guess you have, there's a lot of  
13 bureaucracy, and very, very slow, you know. So  
14 how can we adapt to that?

15 So how about teaching them, so  
16 eventually they will own one and do it properly.  
17 So creating a small-business technical assistance  
18 and capacity-building for them.

19 MR. REED: Thank you. I've got a  
20 follow-up question on the foreign ownership issue.  
21 In the transportation context, you know I've done  
22 some work in the past on ownership credits, or on

1 percentage of ownership. And at least in the  
2 transportation arena, part of the concern is  
3 whether or not the percentages actually reflect  
4 real management by minorities.

5 And if you all have any comments with  
6 respect to that, if whether the foreign ownership  
7 rules sort of impact that issue? And if there's a  
8 counter-argument to it?

9 MR. HONIG: Do we want to have the  
10 possibility of ownership fraud involving people  
11 who aren't within our borders? Or do you want to  
12 have no ownership, and a little bit -- the same  
13 percentage of ownership fraud by people within our  
14 borders?

15 There's a long history of -- the  
16 Commission has a long history, you remember, from  
17 the comparative hearing days. I did a study on  
18 this about 20-something years ago. Found that  
19 maybe about a third of applicants holding  
20 themselves out as minority and women-controlled  
21 applicants really weren't. But you know what?  
22 Two-thirds of them were. And that was better than

1 zero, which is what we had before the Commission  
2 started this practice.

3 There was attrition, but the fact that  
4 something isn't perfect isn't a reason not to do  
5 it.

6 MR. REED: Anyone else?

7 MR. ROBERTS: I agree with him.  
8 Essentially -- and first of all, I mean, if you  
9 look at the forms of media that exist today, it's  
10 coming from all over the world, anyway. All over  
11 the world. Whether it's hitting on your laptop or  
12 on your -- through cable TV.

13 So when are we going to move into the  
14 global economy, as the FCC? I mean, I understand  
15 the concept of people who would argue that we  
16 should build a wall between the United States and  
17 Mexico, but I don't necessarily agree that that is  
18 the way to do it, nor do I agree that for us to  
19 think that the only way for us to progress in this  
20 country is to limit ourselves and restrict a voice  
21 that now would be ostensibly global.

22 And I think the natural outcome of that

1 is that you'll have a diversity in employment, in  
2 management, and in ownership.

3 MR. REED: You know, that actually  
4 brings me to a kind of a segue into a question  
5 that was asked in the prior panel about defining  
6 diversity. That's one of the issues that we face  
7 here, is how precisely does the Commission look at  
8 what diversity means in the marketplace?

9 Should we be looking at it in terms of  
10 diversity as a means to an end? That being the  
11 type of content that's provided through our media  
12 outlets? Or are we looking at diversity as an end  
13 in itself, diversity of ownership?

14 I'd like to hear your thoughts on that?

15 MS. BAUTISTA: Diversity, to me, is  
16 corporate responsibility. Not just ownership, but  
17 also the senior management and their philanthropy,  
18 and their supplier diversity.

19 Who are their customers? The receipts  
20 that they get are usually from minorities, and I  
21 think they should give back to the minority.  
22 Their senior management should be minority.

1           This is what I'm so passionate about.  
2       Of all the 6,000 Boards of Directors, there are  
3       only two Filipinos? Two Vietnamese? And we're  
4       the highest educated people?

5           No. Where's the diversity? Diversity  
6       is not just about your color and my color. It's  
7       your DNA, your corporate responsibility, the  
8       public interest.

9           And I'm so glad you're having this  
10       hearing. And thank you for including me. Because  
11       I don't think we've ever really been part of this.

12           I encourage more of that public  
13       participation. And I'm glad Commissioner Clyburn  
14       went to San Diego. I mean, I applaud her for  
15       that. The same thing with Commission Baker and  
16       Chairman Genachowski. But at the same time, they  
17       give two-day notice. So how many people can come?  
18       It's usually either the lobbyists or the  
19       corporations.

20           I mean, you really need to hear from the  
21       grassroots, from the community. To me, that's  
22       diversity. Include everyone. Listen to the Main

1 Street.

2 MR. REED: David?

3 MR. HONIG: The question of whether it's  
4 for its own sake or to promote content diversity  
5 at the consumer level -- it's both.

6 Of course what we want is a process by  
7 which owners who we trust, under the structure of  
8 the Communications Act, to ultimately control what  
9 goes over their airways, to be diverse -- because  
10 that's going to lead, as studies have again and  
11 again shown, to diversity in terms of opinions  
12 that are available to the public, in terms of  
13 agendas of issues that get presented to the  
14 public, and in terms of diversity of culture.

15 But more than that, let's suppose that  
16 this was an industry of common carriers. Would  
17 diversity of ownership still be important? Of  
18 course, it would -- because of its value in  
19 promoting efficiency and in promoting competition  
20 by allowing everyone to have an opportunity to  
21 fully monetize their inherent assets that are  
22 distributed equally among all people.

1           That means, for example -- and the way  
2           that it works in practice, I thought it was  
3           fascinating that Mr. Roberts' company, most of the  
4           employees are, 98 percent minorities and women?

5           MR. ROBERTS: That's right.

6           MR. HONIG: Not a lot of companies can  
7           point to that. That's something that happens in  
8           the normal course in most minority- and  
9           women-owned companies. It means that people who  
10          wouldn't get an opportunity to work in many places  
11          at all get this opportunity here.

12          And it means that -- there's one other  
13          thing that people don't remember, and that's --  
14          you remember Andrew Bremmer's study in 1995 about  
15          the impact of discrimination on the macro economy?  
16          A dollar circulated in the African- American  
17          community circulates seven times. Only twice if  
18          it is not. So it gets used to build the community  
19          as a whole, which benefits all of society  
20          immensely.

21          MR. ROBERTS: Well, I used to be an  
22          entrepreneur, and that's when you're building your



1 companies for your family. But now I'm a solid  
2 capitalist.

3 And as a capitalist, I'm trying to build  
4 generationally. And by building generationally in  
5 a capitalistic nation, you set examples, many  
6 examples. And those examples will be at schools  
7 where you might speak, or just in the community.

8 You see, our offices are still on Dr.  
9 Martin Luther King and King's Highway. And  
10 anybody who knows, if I use the term "Dr. Martin  
11 Luther King Boulevard," they know the nature of  
12 the neighborhood just by the concept of that name.

13 We set examples. You see our dishes on  
14 the roof of our building. I mean, I have to  
15 believe that when those students come through and  
16 they point to us as owners of our TV stations, it  
17 has to have an impact on those inner-city kids  
18 when they see it. I just believe that.

19 And I've had young people come along  
20 years later to suggest the fact that now that  
21 they're in that business -- I still get calls,  
22 "How do I get in the business?"

1           Now, one of the questions that I may ask  
2   of you is, if -- we have now turned in our analog  
3   signals, that's still spectrum out there. You  
4   know, to what extent are you planning to make sure  
5   that women and minorities are able to activate  
6   some of that spectrum in a fashion that's going to  
7   work and make money in our capitalistic system?

8           This is going to be an interesting  
9   challenge I'm putting to you. Because you have  
10   the spectrum of every television station in the  
11   United States and our protectorates -- all of  
12   those licenses and all of that spectrum. How are  
13   you going to now convert that analog spectrum to  
14   an economic model that women and minorities will  
15   be able to enjoy and exploit?

16           MR. REED: David, you alluded to this a  
17   moment ago in talking about the data that's out  
18   there on, really, the nexus between ownership and  
19   content diversity.

20           And do you think that the data is there,  
21   or is there something else that we have to do to  
22   measure that nexus? And if so, what?

1 MR. HONIG: There have been studies on  
2 this going back -- in fact, Mr. Justice Brennan's  
3 last opinion, in Metro Broadcasting, cites about  
4 two pages of those studies in footnotes and in the  
5 text of that opinion. And that was in 1989. And  
6 studies continue to be done in the academy, and  
7 the Commission has done, I think, one in 2000, but  
8 none since.

9 Here, if it's going to be necessary --  
10 and it will be -- to defend Commission rules that  
11 may, if it finds, as I think it ultimately will  
12 have to, that some race-conscious rules are going  
13 to be necessary in order to bring us back from the  
14 brink and stop this slippage, then it's going to  
15 have to do research that is current. Courts are  
16 not going to look well at data that's based on  
17 databases four, five, six years old. So this  
18 always has to be examined again and again.  
19 Otherwise, there just won't be the record.

20 We just went through eight years with no  
21 research, or even longitudinal databases on  
22 minority ownership and EEO got cut off. A huge

1 bit of wealth that the Commission had - gone.

2 Because someone decided in the Science Office, of  
3 all places, that it wasn't important to keep track  
4 of science any more. Yeah, I said it.

5 Thank goodness that's no longer the case  
6 here. But we have to institutionalize this by  
7 doing this regularly. Whenever there's a  
8 Quadrennial, this ought to be studied.

9 It's going to cost some money. Please  
10 spend it.

11 MR. REED: And I don't want to spend too  
12 much time on this, but in terms of what the agency  
13 has to do, what the Commission has to do to design  
14 the types of studies that are going to be  
15 effective going forward, you know, going back to  
16 the transportation context, which has been fairly  
17 aggressive -- DOT has been fairly aggressive at  
18 promoting diversity studies. And, of course, the  
19 case law in that area has suggested that state by  
20 state diversity studies have to be done, one,  
21 measuring capacity, and that is the level of  
22 minority and female ownership in those particular

1 jurisdictions that have the ability to do the type  
2 of work. And then looking at the history of  
3 barriers in that particular jurisdiction.

4 I mean, what are all of your thoughts on  
5 how we should be designing studies that will equip  
6 us to face Constitutional attack?

7 MR. HONIG: Well, the relevant market  
8 for broadcasting is national. Broadcast  
9 employment is national. People don't work in one  
10 community all their life. The average radio  
11 station runs through 55 percent job turnover in a  
12 year. Television, what is it? About 40, 45  
13 percent?

14 And especially after consolidation, if  
15 you lose your job somewhere, there may be only  
16 four or five other places you can go for a job, so  
17 you have to move.

18 So, I'm very confident -- and I know  
19 some of those studies in the transportation area  
20 where, you know, people really do work in  
21 construction in one city at one time. But if  
22 you're going to work in the radio and television

1 industry, it's national, and I'm pretty confident  
2 the court will realize that.

3 MS. BAUTISTA: Can I add on that studies  
4 -- we're going to have a national broadband plan  
5 study. We're launching that in February 19, here  
6 in Washington, D.C. Because we looked at one  
7 study, it was like -- you know, like he said,  
8 eight years ago, a study about Asian community.

9 Well, they forgot about the Hmong, the  
10 Cambodian, the Laotian, the Filipino. They were  
11 just worried about the Chinese and the Japanese.  
12 And, you know, because of the sub-ethnic groups.

13 So, I said, we've got to do a really  
14 good study. So we're going to be doing that and  
15 really understand what's this national broadband,  
16 this plan, this media ownership. They don't even  
17 know what net-neutrality, they don't know how to  
18 spell net-neutrality, and then they read it all  
19 the time.

20 So I think the real study is getting the  
21 survey, finding out from different groups of  
22 people -- from the students, you know, Korea,

1       Philippines. I think they're more high-tech than  
2       the United States. I think we're the eighth or  
3       the -- the United States is low in technology.

4               So you can learn more from the Asians.  
5       For example, we're getting students to teach their  
6       grandpas, their uncles and aunties. Because when  
7       we do this foreclosure prevention counseling, they  
8       just say, "Oh, e-mail it to my kids so we can  
9       understand it."

10              So, I mean, we need to have really good  
11       study by asking the people, and different ethnic  
12       groups. And I think FCC can really take the  
13       leadership on that one.

14              MR. REED: Sylvia?

15              MS. STROBEL: Just piggy-backing on what  
16       my colleagues have just said, too, on the national  
17       front -- aside from the employment, when you're  
18       looking to be an owner, you're generally looking  
19       at a national group of stations to potentially  
20       purchase. You're rarely, if ever, going to find  
21       anything in your own backyard.

22              So, I mean, it's truly a national

1 process. And having been through the process of  
2 looking at buying stations in the past, you're  
3 looking all over the country, you're evaluating  
4 those stations, and you're working with brokers,  
5 banks and equity firms that are based all over the  
6 country, too. So it's truly a national process.

7 MR. REED: Mm-hmm. You mentioned  
8 "brokers, banks and equity firms."

9 Access to capital.

10 MS. STROBEL: Mm-hmm.

11 MR. REED: And sort of bringing this  
12 back around to our ownership rules.

13 What, if anything, should we be doing or  
14 looking at with respect to the ownership rules  
15 that will impact that issue, access to capital?

16 MS. STROBEL: You know, I've been  
17 mulling this question over, because I'm not sure  
18 it's so much a rules issue as it is an education  
19 issue, particularly where the capital markets are  
20 concerned.

21 I think there are a lot of folks in the  
22 broadcasting industry, including some big media



1 companies, that would love to come to the table  
2 and find some solutions for diversifying the  
3 industry, including in the ownership ranks.

4 Where I think we've seen a lot of  
5 frustration is in working with the banks and  
6 equity firms, and angel investors, because the  
7 broadcast model, just overall, no longer fits  
8 within their portfolio. And furthermore, if  
9 you're looking at folks who are trying to buy  
10 small-market stations -- you know, \$2-, \$3-, \$4  
11 million for a station -- they're too far under the  
12 financial requirements of most of these big  
13 national banks and equity firms, which require a  
14 \$50 million deal or above.

15 So we're looking at, I think, a couple  
16 of things that really relate to the access to  
17 capital. It's education -- educating banks and  
18 investment firms on the broadcasting industry.  
19 It's not the dot-com industry. That doesn't mean  
20 that it doesn't have incredible value and revenue  
21 potential. So I think education is key.

22 But certainly, where the rules are

1 concerned, if there are opportunities to work  
2 within the current broadcasting communities to  
3 come up with some solutions and suggestions and  
4 incentives that allow for those entities to  
5 provide financing, whether it be an incubator  
6 model or some kind of vendor financing or more  
7 seller financing, I think that would definitely  
8 provide an opportunity for more ownership.

9 MR. ROBERTS: I'd like to reiterate  
10 again one of my points about diversity of  
11 ownership internationally. Because financial  
12 resources would be one of the primary generating  
13 factors for us to look beyond our shores to get  
14 financing to make further acquisitions.

15 But without going off-shore, let's sort  
16 of come back to Washington, D.C., just for a  
17 moment.

18 The Small Business Administration has  
19 loan guarantees with banks. Historically, the FCC  
20 would not allow for there to be an SBA guarantee,  
21 because the theory would be that if there is a  
22 recovery of that license, foreclosure -- whatever

1     you want to call it -- that then the SBA would  
2     then be the owner of a license issued by the FCC.

3             I think if we take a hard look at that  
4     scenario, and throw a little support behind SBA,  
5     who's not been the most successful entity for many  
6     of us in small businesses. And if somehow we  
7     could blend an intergovernmental discussion to  
8     allow for there to be some form of guarantee to a  
9     loan for minority and women-owned businesses, who  
10    are licensees, of course, that may be a little  
11    step outside of the traditional way of thinking,  
12    and the way government has run in the past.

13            MR. REED: On a related point -- private  
14    equity. Terry Jones sat on a panel here not too  
15    long ago, CO of Syncom, and indicated - he was  
16    heavily invested in broadcast properties years  
17    ago, and stated pretty squarely that he no longer  
18    does.

19            Is it a trickle effect? If we sort of  
20    push some of the measures that you're suggesting,  
21    will that be a part of attracting private equity  
22    funds back? Or is that money just gone?

1 MR. ROBERTS: Well, let's prepare, if  
2 you will for a moment a model or a case to a bank.  
3 All right. Now, if they're able to get a certain  
4 percentage guaranteed, the other side of that is  
5 how are they going to get paid back.

6 Now, one of the things that  
7 Congresswoman Maxine Waters has been proposing,  
8 based on some discussions I've had with her, is  
9 let's take a look at the dollars spent in  
10 broadcast media by the Federal government, whether  
11 it's the Army, the Navy, or anyone else.

12 There's large -- there's a very  
13 significant amount of money spent in the  
14 advertising space with TV and radio. The question  
15 is, could you begin to create an interagency  
16 relationship that would, for lack of better terms,  
17 create a set-aside that would allow for dollars to  
18 be spent with your licensees who happen to be  
19 minority or women, and that then will create some  
20 of the support that you need to build your case  
21 before a bank or private investors? Because if  
22 they can see that there's a reasonable cash flow,

1 and you're buying a station that is under water,  
2 and it's under water because it hasn't been able  
3 to sell or do a good job of bringing revenue in.

4 But if you could create this new,  
5 unusual stream of revenue, through government  
6 purchases, into that licensee, upon acquisition,  
7 or for those of us who are still out here trying  
8 to make it, to give us that type of shot in the  
9 arm, I think it could be quite rewarding, and it  
10 could take you down the path of being able to get  
11 the financing that you needed, because you'll show  
12 the revenue potential to pay off the debt.

13 MR. REED: Any other comments on that?  
14 David? Oh, I'm sorry.

15 MS. BAUTISTA: I just want to add that  
16 there is no financing for small businesses, so,  
17 let alone, the broadcast industry. It's so  
18 frustrating for small businesses. They create an  
19 ARC business, you know, the ARC loans. Then  
20 businesses go in there, banks are not  
21 participating.

22 So I have a recommendation that we

1       should get some of that stimulus money.

2               You know, President Obama located  
3       billions in new energy programs, education  
4       programs and other programs of high priority. We  
5       should think of one-billion program that  
6       encourages venture capital.

7               MR. HONIG: Most of the initiatives the  
8       Commission could and should undertake don't happen  
9       to be before the Commission in this docket. But  
10      that doesn't mean that they're not important.

11              In this docket, there really are two  
12      things -- which we've spoken of already -- one of  
13      them being, you know, this longstanding proposal  
14      for incubators and waivers. Maybe the 20th year  
15      will be the charm.

16              And the other is the foreign ownership  
17      rules. We've seen some bump-up from the  
18      relaxation of EDP two years ago. But people ought  
19      to remember that much of the culture we have in  
20      this country is world culture now.

21              There are great opportunities for  
22      American broadcasters, and especially minority

1       broadcasters, to develop platforms overseas. But  
2       they can't do that because of what we all know is  
3       called "reciprocity." Since we have these  
4       restrictions on their investors and their banks  
5       and their operators' getting in here, they impose  
6       commensurate restrictions on us.

7               And the way to get them to relax those  
8       restrictions so that American broadcasters can go  
9       overseas is for us to come to them and relax our  
10      rules, too.

11             Keep in mind, when 3.10(b)(4) was  
12      enacted, the earlier version, in 1912, we were  
13      perhaps understandably afraid that the Kaiser was  
14      going to come in and control our new radio  
15      business. Right now, we have the most secure,  
16      powerful radio and television business in the  
17      world. There's no chance whatsoever that foreign  
18      governments are going to come in and take over our  
19      media. It's absurd. That justification went out  
20      the window 50 years ago.

21             And yet there's still someone that will  
22      always fear that we're going to have -- I don't

1 know, what, xenophobia, or whatever. But we ought  
2 to just call it what it is and say it's more  
3 important now to just stand up and say, "We've got  
4 to give our entrepreneurs access to foreign  
5 markets. We've got to give people who want to  
6 write checks from overseas to here, to help our  
7 broadcasters grow, to do that."

8 We just have to stand up and have some  
9 backbone and say that.

10 Look, we've lost 50 percent of  
11 minority-owned television stations in just the  
12 last 10 years, since the duopoly changes in 1999.  
13 We've lost 9 percent of commercial minority-owned  
14 radio in just the last 2 years.

15 Who's going to turn the lights out when  
16 the last minority broadcaster leaves the room?  
17 Unless we do something urgently about it right  
18 now.

19 MR. ROBERTS: Let me just add, I like  
20 the concept of the stimulus money. So I'm going  
21 to suggest a route for you: Establish about a  
22 billion-dollar fund; place it in the hands of



1 community banks; and earmark it for minority- and  
2 women-owned acquisitions or expansion of current,  
3 existing FCC licenses.

4 MR. REED: I know you guys have been  
5 listening to my voice a lot. I've gotten no  
6 questions from the audience.

7 But I think somebody's going to be  
8 coming around with cards, and I'll -- we can have  
9 those questions issued. Just let them know -- put  
10 your name on it, as well.

11 So, I think Jennifer has a couple  
12 questions. But I just wanted to remind folks that  
13 you can.

14 SPEAKER: (inaudible)

15 MR. REED: Oh, okay. Well, then jump on  
16 in.

17 MR. LEVENTHAL: (inaudible) my name's  
18 Normal Leventhal. And --

19 MR. REED: Hold on one second. We want  
20 to get you a microphone so we can make sure it's  
21 on the record. I don't know that -- that's  
22 probably why we need the cards, because we need it